

Message Text

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43

ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /169 W

* ----- 111750

R 281646Z JAN 74

FM AMEMBASSY BERN

TO SECSTATE 8644

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY VIENNA

USOECD PARIS

AMCONSUL ZURICH

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E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJ: RELAXATION SWISS CAPITAL RESTRICTIONS; MONETARY POLICY
MODIFIED

1. SENIOR SWISS FEDERAL POLITICAL DEPARTMENT OFFICIAL
CONCERNED WITH ECONOMIC/FINANCIAL AFFAIRS TOLD EMBOFF
JAN 28 THAT, BARRING UNEXPECTED PROCEDURAL OR PAPER-
WORK DELAYS, FEDERAL COUNCIL AT REGULAR WEEKLY MEETING
JAN 30 WILL REMOVE EFFECTIVE FEB 1 RESTRICTION AGAINST
PURCHASE BY FOREIGNERS OF SWISS SECURITIES WHICH WAS
IMPOSED DURING SUMMER 1972. SWISS DECISION TO RELAX
CAPITAL INFLOW RESTRAINTS ON SECURITY PURCHASES WILL
BY TAKEN AT SAME TIME GERMANY TAKES SIMILAR ACTION.
AUSTRIA REPORTEDLY ALSO PLANS MOVE IN SIMILAR DIRECTION
BUT CANNOT ACT IN TIME FOR FEB 1 EFFECTIVE DATE.

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2. WITH PROSPECTIVE ACTION ON SECURITIES, ONLY SUMMER 1972 CAPITAL RESTRICTION REMAINING IN ORIGINAL FORM IS THAT PROHIBITING SWISS BORROWING ABROAD. SOURCE INDICATED THIS WILL NOT BE MODIFIED SO LONG AS CREDIT RESTRAINTS IMPEDE BANK LENDING FOR DOMESTIC DEMAND MANAGEMENT REASONS. RESTRICTION ON FOREIGN PURCHASE OF SWISS REAL ESTATE IS BEING LOOSENEED BY MEASURES TO TAKE EFFECT FEB 1 GIVING CANTONAL GOVERNMENTS GREATER FLEXIBILITY. (AIRGRAM IN PREPARATION.)

3. SWISS OFFICIAL SOURCES HAVE CONFIRMED THAT JAN 24 REDUCTION BY SWISS NATIONAL BANK (SNB) OF MINIMUM RESERVE REQUIREMENTS WAS PRIMARILY DESIGNED OFFSET TIGHTENING OF DOMESTIC LIQUIDITY CAUSED BY RECENT FEDERAL RESERVE/ NEW YORK PURCHASES OF SWISS FRANCS AND PARTIAL REPAYMENT OF OUTSTANDING SWAPS. SNB IS CONTINUING ON PERMANENT BASIS 20 PERCENT RESERVE REDUCTION INSTITUTED DEC 20 AS TEMPORARY ASSISTANCE FORHEND-OF-YEAR WINDOW DRESSING BY BANKS AND IN ADDITION EFFECTIVE JAN 31 HAS LOWERED RESERVE REQUIREMENTS BY FURTHER 20 PERCENT. CUMULATIVE EFFECT OF TWO ACTIONS IS ESTIMATED LIQUIDITY CREATION OF ABOUT SF 1.4 BILLION COMPARED WITH SF 1.6 BILLION REDUCTION IN FOREIGN EXCHANGE RESERVES DURING WEEK JAN 21 AS RESULT UNWINDWPG OF END-OF-YEAR SWAP WITH COMMERCIAL BANKS (SF 700 MILLION); TRANSFER FROM BANK FOR INTERNATIONAL SETTLEMENTS TO SNB OF US TREASURY ROOSA SF BONDS (SF 530 MILLION); AND REPAYMENTS BY FEDERAL RESERVE NEW YORK. PERCIVAL

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